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Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 9th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 28 October 1993, at 10 a.m.

President: Mrs. MACHADO QUINTELLA (Brazil)
later: Mrs. BECKER (United States of America)

CONTENTS

Agenda item		Paragraphs
-	Opening of the resumed session and organization of work	1 - 4
2	Election of officers (continued)	5 - 6
4	UNIDO policies (continued)	7 - 99
7	Medium-term plan, 1994-1999 (continued)	
11	Organizational and staff structure of UNIDO (continued)	
14	New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution (continued)	

The meeting was called to order at 10.30 a.m.

OPENING OF THE RESUMED SESSION AND ORGANIZATION OF WORK

1. The PRESIDENT declared open the resumed eleventh session of the Industrial Development Board.

2. In accordance with decision IDB.11/Dec.39, the Board was resuming its eleventh session to consider the Director-General's proposals on the future policy framework and organizational and staff structure of UNIDO and to consider recommending themes on which the General Conference at its fifth session would focus its general debate.

3. In addition, it had been proposed that the Board should review its decision IDB.11/Dec.38 concerning the sixth special session of the Board, a decision adopted in July 1993 under agenda item 18 ("Date of the twelfth session of the Board"). If she heard no objection, she would take it that the Board was ready to review that decision, and the subject would be included in the agenda.

4. It was so decided.

ELECTION OF OFFICERS (continued)

5. The PRESIDENT said that, in accordance with the rules of procedure, it would be necessary to elect a new Vice-President to take the place of Vicomte Georges Vilain XIIII (Belgium). The group of Western European and other States had nominated Mrs. Jane Becker (United States of America).

6. Mrs. Becker (United States of America) was elected by acclamation.

UNIDO POLICIES (continued)

MEDIUM-TERM PLAN, 1994-1999 (continued)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (continued)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (c) OF THE CONSTITUTION (continued)

7. The PRESIDENT invited the Board to take up consideration of the Director-General's proposals on the future policy framework and staff structure of UNIDO (IDB.11/31; IDB.11/CRP.7, CRP.8).

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Distr.: 10 November 1993

8. Mr. DE MARIA Y CAMPOS (Director-General) said that, during the first six months of his tenure, UNIDO had faced short-term and medium- to long-term challenges. Symptomatic of the former had been the financial crisis brought on by the reduced technical cooperation delivery and income in the operational budget, coupled with Member States' requirement that the operational budget should be stabilized during the current financial year. That problem had not distracted attention from important medium- and long-term measures for structural change, such as those now requiring the Board's approval and support.

9. He had informed the Board in June that there would be a major shortfall in operational budget income compared with the original estimate of 24 million dollars. The Board's request that the operating budget should be balanced by the end of 1993 had made a significant reduction in staff and other costs unavoidable. The precise size of the staff reduction had depended, however, on the accuracy of further forecasts of operating budget income, which had been put in August at 14 million dollars for 1993; that figure had been confirmed by latest estimates, and the size of the staff reduction was therefore correctly based.

10. Even with the savings on staff and other expenditure areas, it had been necessary to run down the reserves considerably. The reserves were not expected to show a negative balance at year end, but a cautious spending policy would be needed for much of the next biennium. By keeping expenditure below income, he hoped to restore the reserves to between 1 and 2 million dollars in 1994 and to reach the statutory requirement of 5 million by the end of the biennium.

11. Conscious of the impact of staff reduction on individual staff members, everything possible had been done to minimize the numbers involved. Non-staff costs had been cut and staff had been moved from operational budget to regular budget posts where possible. However, there were constraints: non-staff costs had already been targeted in response to the imminent departure of one Member State from UNIDO membership, and regular budget posts were limited by the vacancy rates set by the Board.

12. A staff reduction of approximately 120 posts had been indicated. Every effort had been made to ensure that the process of identifying posts was fair, transparent and flexible, and there had been a dialogue with the Staff Council. No category of staff had been singled out and every effort had been made to minimize personal hardship. As of now, 80 staff members had agreed to separation and a number of other cases were in the final stages of approval. The remaining cases were being discussed with the staff concerned.

13. A staff reduction of the scale involved inevitably caused geographical and gender distribution imbalances. He expressed his concern at the fact that a significant number of women would be affected. That was a reflection of their high share of the General Service category, coupled with the age structure of women at the senior Professional level, as well as with the attractive financial packages offered to staff in that age group. He was, however, committed to rectifying such imbalances - through appropriate recruitment and promotion measures during 1994 - and to making changes in procedures that should facilitate the career advancement of women in the Professional category.

14. A ten per cent staff reduction exercise was bound to have an effect on morale, but the period of uncertainty had now ended and he looked forward to a period when a new, stronger and more dynamic UNIDO would offer proper career development for its staff and would be able, as income allowed, to selectively recruit the skilled staff needed to satisfy new demands.

15. Structural changes had to be undertaken to ensure that the 1993 financial crisis was not repeated. Member States had drawn attention to many of the structural problems in their informal consultations on the medium-term plan priorities. They had been further elaborated internally by the Task Force on Priorities and Structural Reform. Inputs had also come from discussions with the African Ministers of Industry in Mauritius and Latin American representatives at Caracas, from a dialogue with Vienna-based Permanent Missions and from Governments.

16. The aim had been to redesign UNIDO's priorities, structure and procedures to make the Organization more relevant to Member States' needs, more cost-effective and more quality-oriented.

17. The proposed new priorities and structure were the centrepiece of a concerted reform effort. The external forces for change were the world-wide policy changes, economic factors and technological trends affecting the roles not only of Governments, but also of enterprises and industrial institutions. System-wide changes in the United Nations meant that UNIDO would have to respond with new modalities of programme and project implementation, a decentralization strategy, improved coordination with other agencies and initiatives to mobilize funding from non-traditional partners.

18. UNIDO had to build on its strengths and overcome its weaknesses. Member States had indicated that UNIDO services should be more demand-driven, project quality strengthened and the Organization's structure streamlined.

19. The situation regarding demand was described in conference room paper IDB.11/CRP.7. Five development objectives had resulted from the analysis carried out: industrial and technological growth and competitiveness; development of human resources for industry; equitable development through industrial development; environmentally sustainable industrial development; international cooperation in industrial matters, particularly in investment and technology flows.

20. Those objectives provided the rationale and conceptual framework for UNIDO's future programmes and, together with the pattern of demand for UNIDO services, they were the point of departure for the restructuring process. Priority had been given to the Organization's current internal capabilities, its major comparative advantages and the need for subsectoral specialization. UNIDO should thus be able to establish itself as: a focal point for industrial technology; an honest broker for industrial cooperation; a centre of excellence on industrial development issues; a global source of industrial information.

21. The restructuring exercise itself entailed: reassessment and redefinition of key functions needed for a sharper focus of UNIDO service and substantive capabilities; creation of an organizational structure with a substantive focus and leaner, less hierarchical relationships; effective, quality-determined delivery of services

responding to demand; integration of units to create a critical mass of specialized expertise and promote team-building; ensuring adaptability to change. The result was a more cohesive structure with eight organizational units and fewer intermediate layers of supervision, as described in documents IDB.11/31 and IDB.11/CRP.8.

22. The changes that the new structure and its associated procedures would introduce included: a streamlined top-management structure with two layers instead of three; programme management responsibility at the Division Director level; two permanent coordination mechanisms (a Management Committee and a new Programme and Project Review Committee); a reinforced country focus; a strengthened country presence and field representation; regrouping of major substantive programmes; quality assurance designed into revised project development procedures.

23. The proposed changes were fundamental, but he believed that a fundamental reappraisal of all aspects of UNIDO was crucial at the present juncture.

24. The financial implications had been built in from the beginning. The ceilings foreseen in the programme and budget proposals approved by the Board for submission to the General Conference as document GC.5/14 would remain untouched. Some adjustments would be necessary, however; for example, previous allocations for the Deputy Directors-General and their support staff would be redeployed in accordance with the new priorities outlined in document IDB.11/31.

25. The best scenario for UNIDO was one allowing the new machinery to begin running as fully as possible on 1 January 1994. He therefore intended to present readjusted budget proposals for major programmes and subprogrammes, revised within current ceilings, for approval by the policy-making organs before the end of the year.

26. The decisions he now sought from Member States were: endorsement of the proposals in documents IDB.11/31 and IDB.11/CRP.8; rescinding of decision IDB.1/Dec.11 on the senior staff structure; and approval of revised proposals for the programme of work and related estimates, 1994-1995.

27. Vicomte Georges VILAIN XIIII (Belgium), speaking on behalf of the European Community and its member States, thanked the Director-General for his statement. The Twelve had initiated several attempts to redefine UNIDO's role and structure in the changing world situation and therefore welcomed the Director-General's analysis and far-reaching proposals.

28. In informal consultations earlier in the year, the general view of Member States had been that UNIDO urgently needed to redefine its role and reform itself to maintain and enhance its position as the specialized agency for industrial development in the United Nations system. For years, UNIDO's reform attempts had been deadlocked by indecision on how the Director-General and the Member States should take up their respective responsibilities. The inputs from Member States and the new Director-General's radical and coherent proposals gave UNIDO an opportunity to move with the times.

29. It was clear that UNIDO would have to focus its activities and utilize its comparative advantages. If the full potential of those comparative advantages was to be realized, the concept of critical mass must be accepted. UNIDO would have to tailor its efforts to its resources and focus on what it could competently handle. Efficiency and resources were interrelated; the more efficient UNIDO was, the better it would be able to mobilize funding.

30. At a time when donor budgets were under exceptional pressure, international organizations should make the most effective use of Member States' contributions. That did not mean that UNIDO should be supply-driven and he welcomed the analysis of demand for its services.

31. The European Community and its Member States fully supported the rationale and logic behind the Director-General's proposals. They reflected a constructive approach based on a serious analysis of the strengths and weaknesses as well as the basic principles of the Organization. He welcomed the concentration of resources on certain priorities, and the regional dimension, based on recipients' needs. He would also stress that the concept of global sustainable development, as set out in Agenda 21, was an integral part of all UNIDO's activities.

32. The Community attached great importance to improvement of the overall quality of UNIDO projects and programmes, strengthening of their appraisal and evaluation, a better internal audit and greater cost-effectiveness. Internal savings should be maximized through a comprehensive economy drive, requiring revised financial management and reporting procedures.

33. Decentralization to the field was important; further clarification of how it would be carried out and integrated in overall United Nations policy on field offices would be appreciated.

34. The European Community strongly supported the proposed organizational reform, including the abolition of the current departmental structure and its layer of five Deputy Directors-General. Further details on how the proposals would be implemented would be welcomed.

35. According to the Constitution, the Director-General was responsible for staff matters. The paramount consideration was to be the need for the highest standards of efficiency, competence and integrity. Due regard must be given to ensuring equitable geographical distribution, but there might be initial imbalances, which could not be rectified overnight.

36. UNIDO's main asset was its staff, and the new focus for UNIDO would require the development of a new balance of professional skills. The difficult financial situation was due in part to failure by Member States to meet their obligations in time and to the Organization's severely reduced operational budget income, but also to poor management decisions. The staff's appeal for retraining and in-house human resource development was endorsed.

37. He welcomed the Director-General's intention to push decision-making and responsibility downwards and endorsed the focus on enhanced teamwork and clearly defined responsibilities. Managers should be more accountable, with clear objectives agreed in advance. More information on plans for ensuring coordination would be welcome.

38. The proposed review of administrative procedures would be followed with interest. The Community was ready to consider any necessary

changes to the financial and staff rules that the review might recommend.

39. The Community and its member States were ready to take action on the Director-General's proposals and were convinced that consensus could be achieved. The General Conference session at Yaoundé would be UNIDO's chance to persuade its membership of its credibility.

40. Mr. RAMIREZ (Observer for Ecuador), speaking on behalf of the Group of Latin American and Caribbean countries (GRULAC), said that those countries individually and collectively supported the Director-General's proposals regarding the restructuring, priorities and new objectives of UNIDO. Informal consultations with the Director-General and the staff had given an opportunity for the countries to make suggestions regarding the conversion of UNIDO into an agency that would be less bureaucratic, more sensitive to changes in the international environment and more efficient in the performance of its task of promoting industrial development in the developing countries.

41. The recent regional Consultation and Coordination Meeting held at Caracas under the auspices of the Latin American Economic System (SELA), which had been attended by representatives of 25 countries and of various international organizations, had drawn attention to the effects of the profound changes taking place in the world on industry in the developing countries. The industrialized world was passing through a period of recession while the developing countries were opening up their economies. The countries of Latin America and the Caribbean were promoting the modernization of their productive apparatus and their international competitiveness, but their efforts required new forms of international support and greater industrial cooperation. Among the questions of concern to Latin America and the Caribbean were the problems of financing industrial development and the decrease in resources for international cooperation, particularly those of the multilateral agencies. Concern had also been expressed at the continued existence of various barriers against exports of the region, particularly in traditional industries.

42. The Meeting had noted with satisfaction the five development objectives identified by UNIDO, and also supported UNIDO's desire to stress its main comparative advantages in order to strengthen its position and prestige.

43. At the Meeting, the Director-General had presented his proposals for restructuring and new objectives for UNIDO, which were consistent with the goals of equitable production changes advocated by the countries of Latin America and the Caribbean. The Meeting had supported the Director-General's proposals contained in the document "Priorities and structural reform of UNIDO". It had also agreed that UNIDO should base its activities on the various countries' own strategies and policies so as to give optimal support in line with the comparative advantages of UNIDO and country needs.

44. The Meeting had endorsed the proposals of GRULAC in Vienna as a frame of reference for the regional position in relation to the following aspects: training; development and transfer of technology; the UNIDO programme for industrial modernization and rehabilitation, the UNIDO programme for small- and medium-scale industry; the environment, energy and sustainable industrial development; industrial investment promotion; economic and technical cooperation among developing countries; the external debt and industrial development.

45. The Meeting had stressed that UNIDO should promote the industrial development of all countries of the region, particularly those of the Caribbean and Central America and other less economically developed countries, through cooperation programmes, including links between industry and services, as well as innovative formulas to encourage industrial investment.

46. The Meeting had welcomed the readiness of SELA and ECLAC to support the implementation of the proposals of UNIDO's new management and confirmed their relevance to the new challenges and opportunities. The countries of the region recommended that UNIDO should give high priority to advice to Governments requesting it on the formulation of industrial policies, with a view to redefining the roles of the public and private sectors. In that work, UNIDO should cooperate closely with SELA, ECLAC, the Inter-American Development Bank and other agencies.

47. UNIDO should also maintain close cooperation with regional integration bodies in order to support the development of integration through the various mechanisms existing.

48. The Meeting had emphasized the need to expand horizontal intraregional cooperation, especially agreements among enterprises, in which context the Bolivar Programme on Regional Technological Integration, Innovation and Industrial Competitiveness had an important role to play.

49. The Meeting had stressed the importance of the Regional Forum on Industrial Policy for the exchange of experience, the coordination of cooperation with UNIDO and the monitoring of industrial adjustment in the region. Close relations should be established between entrepreneurs and the authorities responsible for industrial policies in Latin America and the Caribbean in the framework of that Forum. Closer links between the Permanent Secretariat of SELA and UNIDO were also desirable.

50. The Meeting had felt that UNIDO should strengthen its presence in the region and had supported the Director-General's efforts to bring about decentralization.

51. Delegations had expressed their satisfaction at the initiatives taken by the Director-General, who had been assured of their strong support.

52. Mr. BALAZS (Hungary) thanked the Director-General for his proposals on priorities and structural reform of UNIDO and for his informative oral statement. The future of UNIDO might depend on those proposals. Political and economic changes over the past decade had made it essential to restructure the Organization, reassess its priorities and adjust its programme and method of work to present-day realities.

53. Informal consultations had enabled Member States to express their views on future priorities and structural reform, and those views had been taken into account. His delegation looked forward to the implementation of the Director-General's proposals.

54. Document IDB.11/31 correctly analysed changes in the global political and economic environment. He agreed that sustained industrial development should be accompanied by the reduction of social differences and urban poverty, that industrialization should be accelerated and that each country should strengthen its own capacities through the effective utilization of human resources and the mobilization of financial resources. He supported the reoriented priorities of UNIDO and agreed to the five main development objectives. In view of UNIDO's limited financial possibilities, its programmes and activities must be more sharply focused and the services provided more demand-driven.

55. He was gratified to note UNIDO's efforts to identify its possible role in the field of cooperation with economies in transition. That was in full conformity with the objectives set forth in the Constitution. The difficulties being faced by countries in transition were the result of the collapse of an entire socio-economic system and would persist for many years. Well-organized assistance to economies in transition would create new markets and even additional donors for less developed countries.

56. He welcomed the proposed new structure for UNIDO, which would allow efficiency to be increased and expenditure reduced. He supported the elimination of the Deputy Director-General posts, but considered it important to secure the representation of all regional groups in the leadership of the Organization. Close contacts and further consultations between the regional groups and the Director-General in that regard would be essential. However, professional skill and qualifications should be the main factor in the selection of directors. He welcomed the Director-General's intention to strengthen coordination between the future directors, but had some doubts about the viability of the proposed rotation system. However, managerial questions should be left to the Director-General.

57. Mr. CHEN Shiqiu (China) said that document IDB.11/31 reviewed changes in the external conditions affecting UNIDO and the new challenges facing it and also analysed the Organization's strengths and weaknesses. The work done by the Director-General and the Secretariat was commendable. He supported the idea of focusing work priorities on the basis of UNIDO's purposes and in accordance with changing internal and external conditions. The Organization's strengths and financial capabilities should be kept in view in that context, so that it could effectively serve the developing countries.

58. UNIDO had lacked focus in the past. Though many areas had been defined as priorities, they had not been treated as such in practice. It would be better to focus efforts on the Organization's areas of competence.

59. Judging from UNIDO's past successes, he believed that the Organization had a promising future in providing advice on sustainable industrial development, promoting international cooperation between small and medium-scale enterprises, and promoting the flow of international investment and economic and technical cooperation, including cooperation between developing countries.

60. In order to revitalize UNIDO, all Member States, especially the developed countries, should recommit themselves to the purposes and objectives of the Organization. They should meet their obligations and also utilize the services provided by UNIDO. At the same time, UNIDO should strive to improve the quality of its services to the developing countries and improve its attractiveness to the Member States, including the developed countries.

61. He supported the Director-General's structural reform proposals in principle. While structural reform called for a reduction of staff, efforts should also be made to concentrate on improving work efficiency. It was therefore necessary to improve internal administration.

62. In a reform of the personnel system, staff should be recruited on a wide and selective basis and by fair competition. At the same time as few permanent contracts as possible should be granted, in order to maintain the vitality of the Secretariat.

63. Equitable geographical distribution of the staff structure was necessary, especially at a high level; that would help to improve cooperation and coordination among the regions.

64. Mr. VETTOVAGLIA (Switzerland) welcomed the presentation of the Director-General's views on the future framework of action of UNIDO, and wished him every success. However, like a bank, UNIDO needed money in its vaults. Hence the importance of activities for fund-raising, diversification of income and payment for certain services of UNIDO. UNIDO had previously been a poor fund-raiser and its financial resources base might be too narrow for it to attain the critical mass necessary for success.

65. UNIDO also needed to be able to display good-quality technical cooperation projects to its customers. Unfortunately, the quality of many of its projects left much to be desired. Quality management was one of the keys for the future of UNIDO.

66. Next came the Organization's personnel, its main resource. The world had changed greatly since the Lima Declaration, with the disappearance of closed systems of central planning, but the officials of UNIDO had remained the same. They were now dealing with enterprise management, but he questioned whether they had the correct training. The future of UNIDO lay more at the level of enterprises and less and less at the institutional or governmental level. A gigantic effort had to be made to retrain the staff of the Organization.

67. With regard to the organizational chart, he considered that decision IDB.1/Dec.11 could finally be repealed. The five departments of UNIDO had not been notable for teamwork. The eight administrative units could not function without coordination and cooperation. He hoped that modern management methods would make it possible to bring about a change of mentality.

68. The reform would take time, but he hoped that words would soon be followed by action. The priorities stated lacked precision, and he did not yet see clearly how the restructuring would take place. Pending the establishment of new structures, the Director-General and his Secretariat deserved support.

69. Mr. SARBU (Romania) said that the resumed eleventh session was taking place in a period of profound transformations and new challenges for UNIDO which made it necessary to recognize the

Organization's weaknesses and make efforts to remedy them and also to underline its strengths and make more efficient use of them. The Director-General's proposals in document IDB.11/31 contained most of the answers needed.

70. He commended the Director-General and his staff on their proposals for a new UNIDO, which would in future be more focused and more flexible in its action and thus better equipped to serve its customers, the Member States. His country was determined to support the new management of UNIDO in implementing the proposals.

71. The reasons behind the restructuring were well-known. Among the present weaknesses of UNIDO mentioned in the document (paragraph 24), its diminished image and shortage of financial resources were to some extent interrelated. The developed donor countries were less and less willing to commit substantial financial resources to projects managed by UNIDO, preferring instead the bilateral approach. UNIDO must restructure in order to preserve its status as the most important neutral, multilateral, non-profit industrial development organization. He hoped that the new organizational structure would lead to better management of projects and attract some reluctant donors.

72. To his country, as a country in transition, the most important priorities for a restructured UNIDO were: support for future investment promotion and technology development activities and for the mobilization of foreign financial resources; technical assistance at the enterprise level for industrial rehabilitation and the modernization of enterprises that were now State-owned, in order to make them attractive to private investors; assistance for the establishment of an efficient institutional framework to promote a dynamic entrepreneurial culture; assistance at the enterprise level for environmentally sustainable industrial development, reducing energy and raw materials consumption; cooperation with international financial organizations in projects for the reduction and prevention of environmental pollution; assistance in identifying potential partners for strengthening quality assurance systems; support for Romanian economic agents, beginning with those in the private sector, to enable them to benefit from information regarding new technologies and market data contained in UNIDO or other international data banks.

73. Those topics had already been included in the work programme of the joint UNIDO-Romania Centre and he trusted that they would be more actively promoted by the future UNIDO. A stronger UNIDO field presence would be helpful in identifying new projects and better management of ongoing programmes.

74. While his country was advancing towards democracy, the rule of law, political pluralism and the market economy, it had learnt that the transition process was long and difficult. However, it was not discouraged, and it would need the new UNIDO to help it in carrying out reforms.

75. Mr. LAVROV (Russian Federation) noted with satisfaction the general understanding reached to the effect that the reform of UNIDO should be aimed at enhancing its effectiveness through the definition of priorities and the concentration of available resources on those priorities. An important precondition for the success of the restructuring process was the strengthening of the principle of universality. Due consideration needed to be given to the task of providing support to the many countries with economies in transition, in accordance with the relevant resolutions adopted by the General Assembly, in particular resolution 47/187, which recognized that the full integration of those countries into the world economy would have positive effects on world trade, economic growth and development, including that of the developing countries.

76. The reform of UNIDO should also be linked to the general reforms currently taking place within the United Nations system and should involve the development of interlinkages between UNIDO and other specialized agencies and regional commissions, taking account of comparative advantages. The Director-General's proposals set out in document IDB.11/31 contained useful ideas concerning the enhancing of UNIDO's activities in the new conditions. His delegation considered that more concrete proposals should be prepared concerning the better utilization of existing financial resources and the practical implementation of the principle of selectivity in programme activities.

77. The definition of priorities in the Organization's programmes was of crucial significance for the future of UNIDO. His delegation welcomed the efforts of the Director-General along those lines but wished to warn of the possible risk that the Organization might be dissipating its efforts over too many areas of activity. In that connection, it was important to bear in mind the need for closer cooperation with the other agencies within the United Nations system. In his delegation's view, priorities should include the promotion of industrial investment, conversion, privatization, human resource development including training, and industrial and technological information.

78. With regard to the organizational structure of the Secretariat, his delegation had, in the past, advocated a reduction in the number of Deputy Directors-General. The institution of the Deputy Director-General was enshrined in the UNIDO Constitution, having been the key to compromise at the time of the transformation of UNIDO into a specialized agency. That did not mean that his delegation was opposed to reforms that might call for a change in the Constitution. However, all the relevant legal requirements would have to be observed, bearing in mind the ratification procedures and the role of the Programme and Budget Committee. Whatever restructuring arrangement was adopted, the five geographical groups would need to be equally represented within the senior levels of the Secretariat.

79. The Russian Federation had consistently sought to enhance the effectiveness of UNIDO and, despite its financial difficulties, had contributed $5.13 million to the Organization's budget between January and September 1993 and would pay a further $5.1 million by March 1994.

80. Mr. ONSY (Egypt) commended the Director-General on his detailed and useful opening statement. The current resumed session of the Board confirmed the commitment of Member States to the strengthening of UNIDO's activities and to the restructuring of the Organization in line with the changes taking place on the international scene. His delegation had taken part in the informal consultations held over the

previous year, had paid particular attention to the report of the Task Force on Priorities and Structural Reform of UNIDO and had examined the Director-General's proposals as set out in document IDB.11/31. It was clear that, with effective leadership, UNIDO was capable of making a positive contribution to industrial development and was able to adapt to the international changes affecting the industrial development process. It should be emphasized that the restructuring of UNIDO would have to be an ongoing process if the Organization wished to keep in step with the changing international situation and to maintain its role as a coordinator of industrial development programmes and technical cooperation activities. His delegation hoped that the present discussions would enable a consensus to be reached on the Director-General's proposals. UNIDO could thus recover its credibility, enabling Member States, in particular the donor States, to strengthen their political and financial commitment in order that the Organization's objectives could be achieved.

81. While welcoming the proposals set out in document IDB.11/31, his delegation wished to stress a number of aspects that were essential to the restructuring process. In the course of that process, the equitable geographical representation of Member States, particularly in high-level decision-making posts, needed to be ensured; the new structure should enable the Organization to meet its new objectives and provide it with the necessary flexibility for its effective operation; particular attention should be paid to the mechanism for updating information, which was essential for UNIDO policy implementation; and coordination needed to be ensured between the Organization's administrative departments so as to enable them to increase their efficiency and make better use of the resources available to the Organization.

82. His delegation hoped that the forthcoming session of the General Conference at Yaoundé would provide the international community with an opportunity to reassert its support for UNIDO's role in the field of industrial development within the United Nations system, and that UNIDO would take advantage of that occasion to redefine its policies with a view to adapting to the changing economic circumstances.

83. Mrs. Becker (United States of America) took the Chair.

84. Mr. TANAKA (Japan) expressed appreciation for the Director-General's proposals on priorities and the structural reform of UNIDO (IDB.11/31) and on the new organizational structure of UNIDO (IDB.11/CRP.8). Those documents represented the first concrete and serious attempt to renew the Organization following many years of discussion by Member States of the need to adjust UNIDO's activities and organizational structure to the changing world situation. No single reform exercise could be complete in itself and his delegation therefore hoped that the restructuring of UNIDO would be a continuing process, for which the Director-General's proposals provided a good start.

85. His delegation fully agreed that the developing countries themselves should determine their development processes and be primarily responsible for designing programmes tailored to their specific developmental needs. Their commitment was the essential element, and their self-reliance and efforts were key factors for sustainable development. Also, UNIDO should focus first of all on country- or region-specific research, analysis and formulation of strategies for development and on the provision of advice and technical assistance for project implementation. His delegation accordingly supported the Director-General's proposal that UNIDO should devote more attention to "upstream" conceptual work, that the delivery of UNIDO's services should be based on the industrial development strategies drawn up by individual countries, that those strategies should be analysed by UNIDO and that UNIDO country strategies should be elaborated and coordinated by the proposed country strategy and programme development division.

86. Field representation was an important aspect of UNIDO's future activities and should be reviewed and coordinated within the context of the current reform of the United Nations system as a whole. Increasing the quality and number of UNIDO Country Directors (UCDs) was of crucial importance in improving the effectiveness of field services, and assignment to field offices on a basis of rotation should form an integral part of staff career development and promotion. Owing to the financial crisis facing the Organization, financial contributions by host countries for the allocation of UCDs would be essential.

87. With regard to the structural reform of UNIDO, his delegation welcomed the proposed abolition of the five posts of Deputy Director-General, with the resultant delegation of decision-making authority to the D-2 level. However, to avoid over-centralization or decentralization of that authority, consistent coordination at the management level was of paramount importance, and his delegation therefore supported the proposals for the establishment of management and programme committees. It also agreed with the practice of redeployment and the selective recruitment of staff, with emphasis on young and competent Professionals. In order to ensure its future, UNIDO needed to attract young Professionals, and should strive to keep younger staff within the Organization by encouraging initiative. During the process of staff reduction and restructuring, close attention needed to be paid to the underrepresented countries, taking into account the criteria of universality and efficient and effective management. The proposed eight-division organizational structure could prove to be only a reshuffling of the present arrangement and might not reflect the actual needs of UNIDO's future activities in assisting the developing countries. However, his delegation believed that the Director-General should proceed with the proposed overhaul of the structure and seek further improvements at a later stage. Finally, the proposed restructuring would entail considerable changes in the budget appropriation for the biennium 1994-1995. The revision of the programme and budget should be carried out in a manner that would ensure transparency in terms of both procedure and substance.

88. Mr. SINGH (India) expressed appreciation for the Director-General's clear introductory statement and for his radical proposals for revitalizing and restructuring UNIDO, as contained in document IDB.11/31. His delegation hoped that the important discussions to which they would give rise would enable the Board and subsequently the General Conference to take decisions that would make UNIDO a vigorous and effective instrument for promoting sustainable industrial development. It was universally recognized that UNIDO needed to undergo reform, as a result of the changing global situation and the need for the scarce resources

available to be utilized in the best way possible. The developing countries were far from achieving the goal of sustainable industrial development, which would provide markets for capital goods, technology and investment for the recession-hit countries of the North. His delegation hoped that the reform process would result in renewed political and financial commitment from the donor countries to UNIDO and also in a commitment from the recipient countries to make the most effective use of the Organization's services. It fully endorsed the proposed approach for the reorientation and prioritization of UNIDO's services and hoped that environmental protection would also be included among the Organization's new priority areas.

89. It should not be forgotten that UNIDO's mandate was to assist developing countries in their industrial development plans. While the needs of the economies in transition in Central and Eastern Europe were appreciated, substantial resources were being earmarked for them, both bilaterally and multilaterally. UNIDO's programmes for the countries in transition should be based on the availability of additional resources.

90. Turning to specific points in document IDB.11/31, he said that, although chapter I, section A, correctly assessed important trends and changes in certain countries' internal structures, a conducive external environment was also necessary for industrial development, since formidable difficulties were created by external factors, including trade barriers and restraints, restrictions on the transfer of technology and conditionalities on investment and aid flows.

91. The assessment of the emerging pattern of demand for UNIDO's services, as outlined in chapter III, section B, had been based on projects approved or in the pipeline and not on surveys or information obtained from Member States, and did not therefore do justice to new and emerging areas of demand for the Organization's services. However, document IDB.11/CRP.7, also presented to the Board, provided some details of the demand assessment, the method adopted and its limitations.

92. With regard to paragraphs 39-46 of document IDB.11/31, which identified the main objectives of UNIDO's operations, the highest importance should be accorded to investment promotion, resource mobilization, technology development, transfer and adaptation and human resource development. Only when such basic requirements were met could consideration be given to environmental sustainability and equitable development. With regard to the question of equitable development, at the national level the setting of objectives and fixing of criteria were the responsibility of Governments and should not be imposed from outside or applied as conditionalities; at the international level, a clear recognition was called for of the need to narrow the gap in industrial development between the developed and the developing countries through mutually supportive measures in trade, finance and technology transfer.

93. His delegation agreed with the broad range of services to be expected from UNIDO (paragraphs 47-48) and with the comparative advantages of UNIDO, as set out in paragraphs 52-54, which deserved the full support of all Member States. UNIDO should continue to work at all three levels: policy, institutional and enterprise. With regard to subsector specialization, UNIDO should be encouraged to set up expert panels with which it could consult in subsectoral areas where it was not possible to maintain in-house expertise, since UNIDO must not cut itself off from technical developments in frontier areas that could have a profound impact on industry. On the matter of field representation, the subregional centres must not be allowed to become another layer of bureaucracy between the countries and UNIDO Headquarters. They needed to have good and rapid communication links with each country and with Headquarters. The centres should ensure that the countries concerned were adequately serviced, which might involve an increase in travel costs owing to the need to make regular visits. A careful examination was thus called for. His delegation fully supported the points made on the mobilization of financial resources (paragraphs 63-65), and trusted that UNIDO's revised structure would adequately strengthen its capability in that area. Resource mobilization required increasing efforts, and the involvement of programme managers in those efforts was important.

94. His delegation congratulated the Director-General on his bold and innovative proposals for restructuring UNIDO, as set out in chapter IV of document IDB.11/31 and in document IDB.11/CRP.8, and supported his proposals for a flatter organizational structure. However, a balance between the various regional groups needed to be preserved at the D-2 level, which would mean at least four D-2-level posts being provided for the developing countries in order to maintain the current level of representation of those countries at the top levels, and the imbalances at the D-1 and middle levels also needed to be corrected. There was no dearth of well-qualified candidates in the developing countries, and the criteria of efficiency and competence could be met without difficulty.

95. His delegation approved the basic thrust of the proposed restructuring arrangements and was anxious that UNIDO's capacity to deliver its services should improve as much as possible and that disruptions during the necessary transitional period would be kept to a minimum. It would urge the Director-General to pay particular attention to strengthening the departments concerned with substantive activities. It was also anxious that the project approval mechanisms employed by UNIDO should operate smoothly and swiftly and not suffer from excessive bureaucratization and over-centralization. Having agreed upon a project, the donor and recipient expected UNIDO to assist in implementation and not in a detailed re-examination exercise. Were that to happen, projects would be implemented by other agencies. Simple, basic and clear criteria needed to be laid down for projects that UNIDO should implement.

96. Mrs. Machado Quintella (Brazil) resumed the Chair.

97. Mr. AALTO (Finland) said that the recent changes in the international economic climate, particularly in the internal economic structures of many countries, had proved much more complex and far-reaching than had been imagined only a few years previously. The readiness of UNIDO to respond to the challenges posed by those changes had so far been insufficient. It was gratifying

to note that the Director-General's proposals concerning priorities and the structural reform of UNIDO (IDB.11/31) constituted a major step forward. They were based on a correct assessment of the new economic and political environment, where the Organization's analytical work and policy guidance were much needed to create the proper enabling conditions for industrialization. The starting point had to be the needs of the recipient countries; hence UNIDO needed to be a demand-driven organization. The overall concern of any organization with a broad mandate and limited resources had to be a sense of priorities and high-quality management, both of which figured prominently in the proposals. His delegation also welcomed the proposals concerning the need to streamline and simplify the organizational structure while ensuring better internal coordination of activities.

98. There were still serious question marks regarding both the contents and the implementation of the proposals. With regard to budgetary matters, his delegation felt that the Organization needed to base its work primarily on the regular budget and not on expected extrabudgetary funding. Although the document referred to the specific role of UNIDO among international development organizations, it did not elaborate on questions of cooperation and division of labour. A particular issue in that respect concerned field representation, where the optimum utilization of scarce resources needed to take account of the interests and needs of all the organizations of the United Nations system concerned.

99. Finally, the role of women in the development of human resources for industry needed to be taken into consideration throughout the Organization.

The meeting rose at 1 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 10th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 28 October 1993, at 3 p.m.

President: Mrs. BECKER (United States of America)
later: Mr. YIMER (Ethiopia)
later: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
4	UNIDO policies (continued)	1 - 56
7	Medium-term plan, 1994-1999 (continued)	
11	Organizational and staff structure of UNIDO (continued)	
14	New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution (continued)	

The meeting was called to order at 3.25 p.m.

UNIDO POLICIES (continued)

MEDIUM-TERM PLAN, 1994-1999 (continued)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (continued)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (c) OF THE CONSTITUTION (continued)

1. The PRESIDENT said that the Board would continue the consideration of the Director-General's proposals on the future policy framework and organizational and staff structure of UNIDO (IDB.11/31; IDB.11/CRP.7, CRP.8).

2. Mr. RIANOM (Indonesia) said that document IDB.11/31 was comprehensive and provided an overview of what UNIDO was doing and was called upon to do in response to changing demands in the global situation, as well as proposals to strengthen the Organization's functions and restructure it to improve its efficiency. His delegation attached great importance to the reorientation and structural reform of UNIDO.

3. The needs of the developing countries and their priorities were evolving. UNIDO should therefore establish new priorities and devise new approaches and strategies that would serve the interests of the developing countries. At the same time, UNIDO could not increase the efficacy of its external action without improving the efficiency of its internal functioning. The primary objective would be to make the Organization more responsive to the changing realities and emerging challenges of current economic, industrial and technological development. Steps must be taken to ensure not only the financial viability of the Organization, but also its democratic functioning, with full consultation of all Member States.

4. His delegation hoped that the new organizational structure proposed in document IDB.11/31 would minimize duplication of functions and permit efficient coordination, monitoring and evaluation, as well as ensuring the smooth running of the Organization if the Director-General had to be absent from Headquarters. He hoped also that the need to improve representation of under-represented countries on the staff would be taken into account.

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5. In his delegation's view, the priorities listed in paragraph 29 of the document remained valid, although the order of priorities might vary from one country to another. Services rendered by UNIDO to the developing countries should focus largely on "software" assistance such as human resource development, project studies, the development of technological capability and activities directed towards increasing value added. While "hardware" assistance might be extended on a very selective basis, workshops and seminars, as well as comparative studies, should be limited to those having a direct impact on increasing value added.

6. There was a growing emphasis on the development of the private sector in most developing countries, and he agreed that the demand for UNIDO services was shifting towards requirements in that sector. However, since Governments in many developing countries had to pursue a two-track industrialization strategy, involving a carefully controlled expansion of the private sector on the one hand and the continued growth of State involvement on the other, his delegation considered that the public sector should be given equal emphasis.

7. Indonesia intended to take an active part in efforts to restructure and revitalize UNIDO.

8. It would be a good idea for the forthcoming session of the General Conference to focus its general debate, in particular, on industrial development in the changing global situation and the future policy framework of UNIDO.

9. Ms. SJOLANDER (Observer for Sweden) expressed satisfaction at the Director-General's proposals. Her delegation agreed with the main points made in the document, which reflected a readiness within the Organization to make far-reaching changes to meet new demands. What was now needed was resolute implementation of the proposals, once they had been approved by the General Conference at its coming session.

10. Document IDB.11/31 could perhaps have been more specific as to the concrete changes that were foreseen. Focusing - and narrowing of priorities - was a main theme throughout the document, but it was not clear what activities would be dropped and how activities would be trimmed down in practice. Those questions would need attention. It was, however, refreshing to read self-criticism of the kind found in section B of chapter II, where seven weaknesses of UNIDO were listed. Sweden felt that the major weakness of UNIDO was the fourth in the list: the lack of focus and specialization in the range of services provided by UNIDO. If that problem were remedied, the others would not be difficult to solve.

11. With regard to the strengths of UNIDO, Sweden agreed that the staff was the most vital resource of any organization. Sweden welcomed the emphasis laid on the proper recruitment and training of staff. The changing role of UNIDO required new skills, and on-the-job professional training would be increasingly important in the future.

12. It seemed that the number of women on the staff had been drastically reduced in connection with the staff reduction programme. There were many reasons for that, including the fact that women were a majority among General Service staff. But the proportion of women at higher levels who were leaving was also high. That seemed to indicate that women were generally older by the time they were promoted. That problem should be examined as the reorganization of UNIDO continued. Sweden, like other Nordic countries, also wondered how it was intended that UNIDO would continue to treat the integration of women in industrial development as a priority issue, and how that would be reflected in the organizational structure.

13. The comments made in paragraph 38 of the document were in line with Sweden's views. It was important to find a balance between demand from member countries and the specific competence and possibilities of UNIDO. It was also understood that all UNIDO activities should be in the framework of sustainable development.

14. Sweden would like to see UNIDO cooperate more closely with other agencies and with the World Bank. At the same time, it saw the need for UNIDO to maintain its own profile. However, in the light of the financial situation of most agencies, Sweden favoured a higher degree of integration of field offices between agencies of the United Nations system.

15. She had little to say on the organizational structure proposed by the Director-General, and considered that that issue was within the prerogatives of the Director-General. However, her delegation appreciated the efforts made to reduce the layers of supervision; UNIDO had been a top-heavy organization for too long.

16. Mr. WOTAVA (Austria) said that there seemed to be wide support for the proposals of the new Director-General for ways of responding to the challenges facing UNIDO. That could make it possible for the Board to take a decisive step forward.

17. Austria strongly supported the attempt that had been made to link the question of organizational structure with that of the substantive tasks of UNIDO. Austria supported the main thrust of the Director-General's proposals, but wished to comment on certain points.

18. The emphasis on market orientation and the focus on ecologically sustainable industrial development and on small- and medium-scale enterprises seemed to be key elements. Possibilities for successful investment promotion should increase as a result of the greater effectiveness of industrial development assistance programmes, which in turn should be based on careful programming work, taking into account regional requirements. Policy analysis activities for countries and regions would constitute promising new fields of action for UNIDO.

19. Those activities would be enhanced by a strong field presence. Austria supported the UNIDO Country Director (UCD) programme, and considered that greater attention should be given to sources of funding. The legitimate demands of donors regarding quality, cost-effectiveness, efficiency and sustainability of activities should be respected. Improved quality orientation in design, execution and evaluation as well as closer dialogue with donor institutions and Governments were essential elements in the proposal.

20. With regard to the organizational proposals, Austria supported the emphasis on the redefinition of the key functions needed for a sharper focus of

the Organization's services and substantive capabilities, on a quality-determined delivery of services and on the need for a lean and less hierarchical Organization. The management structure that the Organization had been given in 1985 had proved top-heavy. It was high time to resolve that problem and give the Director-General full support in his restructuring, and thus enable UNIDO to be converted into a new, flourishing organization.

21. On the question of the staff reductions being envisaged by the management, his delegation agreed that the situation required contingency measures. However, there was a danger that the mere reduction of personnel would impair the capacity of UNIDO to perform its functions. Staff reductions should be kept to a minimum, and social considerations required that, wherever feasible, all levels should be affected by such measures equally and in a gender-balanced manner. Undue hardship for employees should be avoided, and it should be borne in mind that age played a decisive role in determining chances of re-employment. In the light of those considerations, he had been interested by a proposal made recently by staff representatives that all the staff of UNIDO, as a sign of solidarity, should sacrifice a small percentage of their salaries to bring about savings that would enable the Organization to maintain the present level of staffing. That would preserve the capacity of UNIDO at its present level and be a source of additional motivation for staff members, since the measure would be revoked only after an improvement in the Organization's performance. He hoped that the management would give serious consideration to that idea.

22. Mrs. WIIG (Norway) said that document IDB.11/31 provided an excellent basis for the debate on recommendations to the General Conference on the priorities and structural reform of UNIDO.

23. The position of Norway on the issue of reform within the United Nations system had been expressed on many occasions. Briefly, Norway felt that the different organizations should develop their comparative advantages, discontinue activities that others could do better, respond to demand within those parameters and coordinate efforts so as to achieve greater impact and allow resources to go further. The Director-General had responded to those challenges in the document under discussion, and Norway welcomed his vision for a future UNIDO.

24. The document indicated the direction in which UNIDO should move, but her delegation looked forward to a continued dialogue with the Director-General on further follow-up. One concrete proposal was for the abolition of the five Deputy Director-General posts; her delegation welcomed that proposal. Those posts no longer served the Organization's needs. As far as the proposed organizational chart was concerned, Norway considered that it was the Director-General's prerogative to organize the Secretariat according to needs and in line with the overall directions given by Member States. It proposed that the chart should be treated as information and not form part of any recommendations or decisions by the policy-making organs.

25. Two aspects of the proposed reform programme were of vital importance. First, Norway welcomed the priority given to the promotion of sustainable industrial development, but that should not be regarded as a separate activity or as just one among many considerations to be addressed in UNIDO programmes. Sustainable industrial development should be the overriding principle guiding all UNIDO activities. Projects addressing particular environmental issues would be needed, but the goal of facilitating an industrialization process which was sustainable should be a concern incorporated in all activities.

26. Another equally important issue for the Norwegian delegation was the integration of women in industrial development. Norway would like to see further indications of how UNIDO intended to deal with that issue in the future. The knowledge and experience acquired in that area over the years should not be lost in the new structure. Only if the focus was maintained would that programme continue to have the necessary impact on the Organization's activities.

27. Mr. SOULTANOV (Observer for Kyrgyzstan) said that the question now before the Board must be clarified if UNIDO was to be able to make any progress. The views of all States should be taken into account in the process, and he regretted that Kyrgyzstan had not been involved in the informal consultations preceding the session. However, his delegation's view on the optimization of the activities of UNIDO coincided broadly with the views expressed by the Director-General.

28. In implementing the necessary reforms, three principles should be borne in mind. Firstly, legal norms should be observed in spirit and in letter and correct procedures should be followed. Secondly, the practice of offering permanent contracts should be abandoned and a system of fixed-term contracts introduced. Board members who shared that view might wish to prepare a draft decision for consideration. Thirdly, constant reorganization meant constant disorganization. All relevant considerations must be taken into account in the present restructuring exercise so that there would be no need for further restructuring in the near future.

29. Mr. ARCILLA (Observer for the Philippines) said it was clear that a lot of thought had gone into the preparation of document IDB.11/31. Recent developments in the global economy required UNIDO to prioritize its activities; however, since the essential mission of UNIDO was to promote industrial development in developing countries, it must continue to be guided by demand from its Member States, particularly the developing and the least developed countries. That did not mean that developing countries should depend on multilateral agencies and donors to achieve their development objectives; self-sufficiency ought to be every country's ultimate goal. UNIDO should help countries to develop self-sufficiency.

30. The five specific and interlinked development objectives identified in the Director-General's proposals (IDB.11/31, para. 39) had the support of the Philippines. Those objectives should be pursued as part of an integrated development approach. Indonesia agreed that UNIDO should base its delivery of services on the industrial development strategies drawn up by individual countries, taking account of the capabilities and comparative advantages of UNIDO on the one hand, and country requirements on the other. It also supported the proposal to strengthen field

representation and the aim of increasing the number of UNIDO Country Directors to 50. That could be brought about through the outposting of headquarters staff. The Philippines had repeatedly requested the assignment of a full-time representative to Manila and hoped that that matter would be urgently addressed. Resources made available through economies should be channelled to the UCD programme. A revision of the present practice of UNIDO with respect to home leave entitlements could generate sufficient savings to fund all the desired additional UCD posts.

31. The Director-General was to be congratulated on his proposals, which involved sacrifices for some staff members; to them a debt of gratitude was due.

32. Mr. OYADEYI (Nigeria) commended the Director-General for the courage he had displayed in submitting his proposals (IDB.11/31), and congratulated Member States on their spirit of cooperation and understanding in the matter. The primary focus of UNIDO in future should be on the industrialization needs of the developing countries. The Organization needed a new structure that would reflect global economic changes and allow it to cope with its enormous financial difficulties. The proposed new structure of eight organizational units represented well the range of programmes and the interests of various geographical regions. Technical assistance to developing countries should be increased, with emphasis on regional and subregional integration. The UCD programme was of vital importance and should be funded from the regular budget, while the number of UCDs should be increased, particularly in Africa.

33. He appealed for the strengthening of industrialization programmes in Africa, in particular the Industrial Development Decade for Africa (IDDA). An increase in the number of African staff in policy-making positions in UNIDO was desirable. He hoped the Director-General would effect the necessary changes and report to the Board at its twelfth session. Adjustments should honour the principles of equitable geographical representation and should apply at all levels. The financial implications of adjustments should be indicated. He called on Member States to take appropriate action so that the General Conference could reach a decision on the matter at its fifth session, in accordance with its decision GC.4/Dec.22, and appealed to them to honour their financial commitments to the Organization.

34. Mr. YIMER (Ethiopia), speaking on behalf of the African Group, thanked the Director-General for his useful and comprehensive study (IDB.11/31), which was a timely and essential contribution to the debate on UNIDO's future. The African Group fully supported the proposals, which would go a long way towards revitalizing UNIDO and making it more cost-effective. He emphasized that there should be an enhanced role for developing countries, especially African developing countries, in the new structure. Inequities in geographical distribution at all levels, but especially at the higher level, should be eliminated. At least two D-2 posts should be assigned to Africans. Among UNIDO's activities, the IDDA and UCD programmes were of paramount importance. He hoped that the Director-General's proposals would be adopted by the General Conference at its fifth session, to which Africa was proud to be acting as host.

35. Mr. LEE (Republic of Korea) commended the Director-General for his proposals (IDB.11/31), which represented an excellent basis for reaching a consensus on the subject. He noted with satisfaction that in the United Nations system-wide reforms emphasis had been placed on the role of specialized agencies as centres of excellence in their respective fields. UNIDO should make the most of its comparative advantages in seeing that the critical needs of developing countries in industry were fully met in UNIDO programmes. As emphasized by the Ministers for Foreign Affairs of the Group of 77 at their recent meeting, UNIDO's coordinating role within the United Nations system in matters of industrial development should be strengthened. The Director-General should establish a mechanism for enhancing inter-agency coordination, both within and outside the United Nations system.

36. Of the five development objectives listed in the Director-General's report, the first, industrial and technological growth and competitiveness, was the most important. The promotion of environmentally sustainable industrial development was also of major importance and UNIDO should give greater assistance to developing countries in that field, particularly in the development and transfer of clean industrial technology. Closer attention to country and regional needs was required so that UNIDO's services could be tailored to them. He endorsed the proposal to establish regional and subregional offices in order to focus attention on regional needs in industrialization. UNIDO should concentrate its activities in areas where it had the greatest comparative advantage, but the Director-General should be allowed flexibility in determining the priorities of UNIDO services to developing regions and countries.

37. The proposed structure comprising eight organizational units covered the priority areas of activity well, and was an acceptable starting point for reform. However, abolition of the Deputy Director-General posts was a drastic proposal, when compared with existing structures of other agencies of the United Nations system; restructuring should be carried out in a careful way, with flexibility and pragmatism. Restructuring also called for the establishment of sound management procedures and operational systems. That in turn required greater coordination of work among the organizational units, in order to promote the team spirit and improve work flow within the Organization. He welcomed the proposed Management Committee and Programme and Project Review Committee. Coordination should apply not only to administration and management but also to substantive aspects such as consistency in the industrial policies formulated by each unit and compatibility of sectoral and subsectoral strategies. In appointing directors for the new units, the highest standards of competence should be sought, together with qualities of leadership and skills in quality management, coordination and teamwork. Equitable geographical distribution should be respected, with due consideration for developing countries that had been underrepresented or unrepresented in the Secretariat.

38. His delegation had full confidence in the Director-General but the reform process envisaged would not be easy. A collective will to revitalize UNIDO was needed. He hoped that the Director-General's proposals would be approved by consensus.

39. Mr. Yimer (Ethiopia) took the Chair.

40. Mr. EL HUSSEIN (Sudan) expressed his support for the statement made by the representative of the African Group. His delegation endorsed the Director-General's proposals (IDB.11/31) and appreciated his efforts to place UNIDO in a position to adapt to the changing world situation. There was wide acceptance for the proposals, which were the outcome of lengthy consultations. There was a need to make UNIDO more effective but reforms should be applied in a flexible way. Equitable geographical distribution must be taken into account in making new appointments, to correct the existing under-representation of developing countries, especially the least developed countries, in senior posts. Emphasis should be placed on field activities, focusing on urgent needs such as industrialization of the least developed countries. The efforts African States were making in industrial restructuring and privatization deserved support from UNIDO. Two events of importance in 1993 for industrialization of the least developed countries in Africa were the Conference of African Ministers of Industry, held in Mauritius, and the forthcoming session of the UNIDO General Conference at Yaoundé.

41. Mrs. OK (Turkey) welcomed the Director-General's proposals for reform (IDB.11/31) and supported his aim of concentrating UNIDO's activities in certain areas such as privatization, promotion of foreign investment, development of human skills, and enhancement of medium- and small-scale enterprises. The new emphasis on environmentally sustainable development was also welcome. The introduction of a quality management system and the promotion of career development for women in the UNIDO Secretariat were matters of particular importance. The proposed new structure comprising eight organizational units and abolishing the posts of Deputy Director-General represented a radical change but the Director-General should be entitled to reorganize UNIDO's structure in accordance with the priorities specified by the Member States. Her delegation was concerned, however about the possibility of effective coordination among the new units when the Director-General was absent. In making new appointments, proper attention should be paid to professional competence. Her delegation welcomed the proposed strengthening of coordinating committees within the Secretariat, and of the UCD offices. The outposting of efficient staff to UCD offices would be useful, but it was important that the quality and efficiency of the UCDs should be further improved. A better way of controlling extravagant UNIDO expenses, such as travel expenses should be found.

42. Mr. AMOO-GOTTFRIED (Ghana) commended the Director-General's proposals (IDB.11/31) and supported the statement made by the representative of Ethiopia on behalf of the African Group. The new UNIDO structure should be operational and adaptable and more decentralized, with more attention being devoted to field work. The number of UCDs should be increased. A fair share of new D-2 posts should be assigned to Africans, so that Africa could have a greater role in decision-making. UNIDO should give greater support to financing small and medium-scale enterprises and to promoting women in such enterprises. With regard to industrial investment promotion, UNIDO services must be able to compete with the private sector. Activities such as the IDDA should be better funded, better integrated in the Africa-wide programme, and demand-driven.

43. Mr. AL-ERYANI (Observer for Yemen) expressed his support for the Director-General's proposals (IDB.11/31) and his confidence in the Director-General's ability to adapt UNIDO to a changing world. In introducing reforms, particular importance should be attached to the hopes and objectives of all Member States and to the principle of equitable geographical distribution in filling posts.

44. Mr. WEJTKO (Observer for Poland) thanked the Director-General for his proposals (IDB.11/31) and for his untiring efforts to gain Member States' understanding and support for them. They represented a major and innovative step forward. The proposed Secretariat structure of eight basic units should enhance management efficiency. Equitable geographical distribution should be ensured in appointing directors, taking the specificity of the Central and Eastern European countries duly into account. He supported the proposed strengthening of the country and regional focus and the mobilization of internal and external investments; operational support services should also be enhanced. He welcomed the Director-General's intention to simplify the procedures for processing technical cooperation projects. Compartmentalization and competition for limited resources should give way to cooperation and teamwork in the Secretariat. Speedy implementation of the proposed reforms was desirable, but the schedule should be sufficiently flexible to harmonize UNIDO's restructuring with changes elsewhere in the United Nations system.

45. He fully supported what had been said by the representative of Hungary at the previous meeting concerning the need for UNIDO assistance for the restructuring process in the countries of Central and Eastern Europe. Trust fund arrangements entered into by UNIDO had proved a great success in helping Polish industries to adapt to new market conditions, the main aim being to teach enterprises how to make profit.

46. He endorsed the remarks made by the representative of Switzerland concerning the importance of reform for UNIDO's future. A lack of tangible results from the fifth session of the General Conference would definitely have a negative impact on Poland's cooperation with the Organization.

47. Mrs. BECKER (United States of America) said that her Government welcomed the proposals made by the Director-General to revitalize UNIDO through a concentration of its core and programme activities on areas of comparative advantage and streamline the staff structure. For many years, efforts to reach agreement on basic priorities and meaningful reform had failed. A number of countries had tried in vain in the past to bring about improvements in that regard. The United States was gratified to see that changing circumstances combined with a vigorous new leadership had created a new situation. She was pleased to note the comments made by many speakers from different regional groups in support of the Director-General's vision for UNIDO. Implementation of the proposals would take time, and the United States looked forward to maintaining a constructive dialogue with the Director-General as implementation proceeded. The United States would be paying close attention to the workings of the Executive Management Committee and the Programme and Project Review Committee. As had been pointed out, team work and transparency had not characterized the internal

operations of UNIDO in the past, and if that did not change the Director-General's bright vision for the Organization's future would not be realized. The United States urged all UNIDO staff to give their full support to making the Director-General's proposals work.

48. It was vital that the Board should now make a strong and unambiguous recommendation - hopefully by consensus - to the General Conference to adopt the Director-General's proposals.

49. Mrs. Machado Quintella (Brazil) took the Chair.

50. Mr. FRANCAIS (United Nations Development Programme) said that the world was seeing rapid changes, and familiar concepts were becoming obsolete. At the same time, trends such as the growth of the world population, the deterioration of the environment, galloping urbanization and the increasing marginalization of large sections of the population continued to threaten the future. The ideology of growth had long dominated thinking, but growth did not necessarily mean true human development.

51. UNDP, as a subsidiary organ of the United Nations, was not called upon to pass judgement on the reforms envisaged by UNIDO. However, he would try to draw attention to certain areas where cooperation between UNIDO and UNDP could be intensified in the future. UNDP attached great importance to human development, meaning a conception of development which centred on human beings. It was also important to preserve the viability of the planet for future generations. As far as industry was concerned, the objective of industrial growth for growth's sake should be abandoned, and consideration given to how UNIDO could make a greater contribution to meeting the needs and basic aspirations of each individual. The consideration of pressing themes in that connection would be in line with the concern of UNDP to promote just and durable development, attacking poverty, preserving the environment, aiming at social integration and stimulating appropriate technologies. He noted in that connection that document IDB.11/31 stressed the need to pay attention to combating poverty and preserving the environment.

52. Such considerations would be academic without an adequate operational capacity in the field. In that connection, national institutions were now being called upon to assume increasing responsibility for their own development. The United Nations system had been invited to support that approach, entrusting the implementation of the programmes that it financed to nationals, developing a programme approach and establishing new mechanisms for the mobilization and financing of technical assistance. The organizations of the United Nations system had also been invited to develop joint strategies in support of national development efforts and to coordinate their operational activities with the help of the resident co-ordinators. Those changes would call for a new approach to development assistance on the part of UNIDO and the other specialized agencies. Increasingly, upstream services would be required, particularly in the areas of the development of policies and strategies, the formulation of programmes, the mobilization of specific forms of expertise in support of development processes, all areas of high value added in comparison with the conventional approaches to technical assistance. In those areas, the accumulated experience and know-how of UNIDO would be very valuable.

53. UNIDO was entering a difficult stage in its evolution, and UNDP would do all it could to facilitate that transition, looking for ways of making appropriate adjustments within the limits of its mandates and possibilities.

54. Mr. DE MARIA Y CAMPOS (Director-General) thanked the representatives for their comments on his proposals (IDB.11/31). Change in any organization was a long and complex process. In UNIDO also it would be a long-term effort requiring considerable human and financial resources and the support of Member States. The main thrust of the proposed reforms was to be more responsive to demand and more selective. Certain activities were being grouped together so that the Organization could have a better focus in the future. Priority would be given, for example, to small and medium-scale enterprises, training and human resources development, but it would be necessary to adopt more specific priorities within those fields. That would be the task of the directors of the proposed eight new organizational units, who would have the main responsibility for formulating their programmes in the future. Two points raised often by representatives concerned the role of women in industrial development and the importance ensuring that industrial development was ecologically sustainable. In future, those criteria should be incorporated into programmes and policies at the formulation stage.

55. The current trend in the United Nations system was towards decentralization. Despite the lack of resources, UNIDO could strengthen its field representation in number and quality, and decentralize decision-making. That would involve assessing the resources available, evaluating needs and determining where savings would be possible. Member States would be informed of the result and could then take a decision on mobilizing further resources.

56. Restructuring the Organization was not enough, however: it was also necessary to reform procedures. Terms of reference should first be defined for each administrative area and then it would be possible to see what changes in coordination and procedures were required. He hoped that, once structures and procedures had been reformed, Member States would undertake to pay their assessed contributions promptly and consider providing new sources of funds and seconded staff. In recruiting staff during the restructuring process, he would be directed by Article 11 of the UNIDO Constitution, which gave precedence to the necessity of securing the highest standards of efficiency, competence and integrity, but balanced that against the need for wide and equitable geographical distribution. He asked Member States to allow him some flexibility of action, at least in the short term. In general, an effort would be required to improve the staff recruitment process in the future.

The meeting rose at 5.55 p.m.

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8 November 1993

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United Nations Industrial Development Organization

Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 11th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 29 October 1993, at 3 p.m.

President: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
4 7 11 14	UNIDO policies (continued) Medium-term plan, 1994-1999 (continued) Organizational and staff structure of UNIDO (continued) New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution (continued)	1 - 4
16	Preparatory arrangements for the fifth session of the General Conference (continued)	5 - 11
-	Review of decision IDB.11/Dec.38 concerning the holding of a sixth special session	12 - 13
19	Adoption of the report of the eleventh session (continued)	14 - 15
-	Statement by the Director-General	16 - 23
-	Suspension of the session	24 - 25

The meeting was called to order at 3.05 p.m.

UNIDO POLICIES (continued)

MEDIUM-TERM PLAN, 1994-1999 (continued)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (continued)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (c) OF THE CONSTITUTION (continued)

1. The PRESIDENT invited the Board to resume consideration of the Director-General's proposals on the future policy framework of UNIDO and its organizational and staff structure (IDB.11/31; IDB.11/CRP.7, CRP.8), and drew attention to draft decision IDB.11/L.34/Rev.1 entitled "Future policy framework of UNIDO and its organizational and staff structure - programme and budgets, 1994-1995", which reflected the results of informal consultations.

2. Mr. NEUMANN (Legal Adviser), at the request of one delegation, explained that one important legal implication of the draft resolution concerned the Board's revocation of its earlier decision IDB.1/Dec.11 relating to the number of Deputy Directors-General in the Organization. At the time of the conversion of UNIDO into a specialized agency, a report of the United Nations Secretary-General (document A/39/376 dated

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7 August 1984) had referred, inter alia, to the consensus that an equitable geographical representation should be maintained at all levels of the Secretariat and that for such purpose the competent organs of UNIDO should consider a senior staff structure of the new Organization including several Deputy Directors-General. Under the provisions of the UNIDO Constitution, in particular its Articles 11 and 14, the term "competent organs" should be interpreted to mean the Director-General and the Board, who would effect the appointment of Deputy Directors-General, and the Programme and Budget Committee, the Board and the General Conference, who would adopt the corresponding programme and budget. He accordingly wished to emphasize that the number of Deputy Directors-General should be determined by those organs taking due account of the relevant articles of the Constitution.

3. The draft decision was adopted.

4. Mr. LEE (Republic of Korea), speaking on behalf of the Group of 77, said that the Group attached great importance to the revitalization of UNIDO as a focal point for international cooperation to promote the industrial development of the developing world, and it therefore welcomed the decision just adopted by the Board. Given the increasing need for UNIDO's services in the field of industrial development, the restructuring of the Organization and the strengthening of its central coordinating role had been recognized as essential. The Group hoped that the supportive role of a revitalized UNIDO would further encourage the developing countries to make greater efforts to build up their own industries. Those efforts also required an appropriate international environment favourable to development in general, and in particular industrial development in the developing countries. It was incumbent upon all Member States to give their full political support to the Director-General and to provide UNIDO with the financial and technical resources it needed. The Group hoped that a revitalized UNIDO would enable the donor countries to adopt a more positive approach in that respect. It wished to encourage the Director-General to continue to consider positive and innovative measures for adapting the new structure of the Organization to the changing environment, with a view to further improving the overall efficiency and effectiveness of UNIDO.

PREPARATORY ARRANGEMENTS FOR THE FIFTH SESSION OF THE GENERAL CONFERENCE (continued) (IDB.11/L.33)

5. The PRESIDENT said that, in accordance with its decision IDB.11/Dec.34, the Board was to consider recommending themes on which the General Conference at its fifth session would focus its general debate. At a meeting of the Bureau of the Board with representation of regional groups earlier in the week it had been recommended, firstly, that the provisional agenda for the fifth session of the General Conference previously adopted by the Board in decision IDB.11/Dec.34 (see document GC.5/3, annex I, decision IDB.10/Dec.19) should be slightly amended, and, secondly, that the general debate should focus in particular on the theme "Industrial development in the changing global situation and the future policy framework of UNIDO". Those recommendations were reflected in a draft decision on preparatory arrangements for the fifth session of the General Conference, contained in document IDB.11/L.33, which she was submitting for consideration.

6. The draft decision was adopted.

7. Mr. ELOUNDOU MANI (Cameroon) said that the Cameroonian national committee set up for the purpose of preparing for the fifth session of the General Conference in Cameroon was liaising on site with UNIDO staff in order to be completely ready by the second half of November 1993.

8. His delegation was convinced that the Director-General's proposals regarding the future policy framework and organizational and staff structure of UNIDO would be adopted by the General Conference and that the funds made available by the structural reforms would be used for the redeployment of priority projects in the developing countries. The objective of the restructuring of UNIDO should be to help the Organization better fulfil its role in promoting and accelerating the industrial development of the developing countries with a view to assisting in the establishment of a new international economic order, in conformity with Article 1 of the UNIDO Constitution.

9. International cooperation for development was a common duty of all States, and it was essential to promote industrialization by all possible concerted efforts, in accordance with the aims and principles set out in the Charter of the United Nations. In pursuing those efforts, the Organization needed to be able to consistently fulfil its role in the development, transfer and adaptation of technologies in the various sectors at the global, regional and national levels. He was convinced that, following their adoption, the restructuring proposals would lead to more effective action in the field, in close cooperation with decision-makers and economic operators, both public and private, with a view to achieving self-sustaining and integrated industrial development. To that end, a better distribution of the available human resources and a more rational use of those resources, more in keeping with the needs of the developing regions, was called for in the context of regional integration. Such regional cooperation would undoubtedly lead to greater cohesion among the regional and subregional programmes, more realistic project studies and better project monitoring in the field.

10. In its general debate, the Conference should focus on a number of themes including, with particular reference to the developing countries, the promotion of the private sector and privatization, the mobilization of financial resources for industrial development, the impact of structural adjustment measures on the industrialization of the developing countries, industrial development roles in the strategy of integrated regional cooperation, the integration of women in industrial development, and small- and medium-scale industries in global industrial development.

11. Finally, he wished to appeal to Member States to make a special effort to help the Organization complete its restructuring process quickly and to support the Director-General in his complex task. He wished also to express his Government's support for the Director-General's desire to make the "Yaoundé Declaration" the cornerstone of the new UNIDO.

REVIEW OF DECISION IDB.11/Dec.38 CONCERNING THE HOLDING OF A SIXTH SPECIAL SESSION

12. The PRESIDENT said that it had been proposed at a meeting of the Bureau with representatives of regional groups that the Board should take advantage of the present resumed session to adopt the provisional agenda for its twelfth session,

thus obviating the need for holding a sixth special session in December 1993 at Yaoundé or later in Vienna. On the basis of the list prepared by the Secretariat (IDB.11/CRP.9) of items that could be included in the provisional agenda of the twelfth session, and following consultations, she was submitting for consideration a draft decision contained in document IDB.11/L.35.

13. The draft decision was adopted.

ADOPTION OF THE REPORT OF THE ELEVENTH SESSION (continued)

14. The PRESIDENT said that, since for obvious reasons it had been impossible to prepare a draft report on the work of the present resumed session for adoption at the current meeting, she wished to propose that the Board authorize the Rapporteur, with the assistance of the Friends of the Rapporteur, to prepare and finalize the report, which would be submitted as an addendum to the report of the Board on the work of its eleventh session (GC.5/4).

15. It was so decided.

STATEMENT BY THE DIRECTOR-GENERAL

16. Mr. DE MARIA Y CAMPOS (Director-General) said that at its current resumed session the Board had succeeded in reaching consensus on the most far-reaching changes to affect UNIDO since its establishment as a specialized agency. That achievement had called for compromise on the part of delegations in favour of the common good, and he believed that it augured well for the future ability of Member States to work together towards the common goal of revitalizing, restructuring and redirecting the programmes and activities of the Organization.

17. In particular, the Board had endorsed the proposals contained in document IDB.11/31 and recommended their approval by the General Conference; it had made possible the streamlining of the structure of UNIDO by its revocation of decision IDB.1/Dec.11; and it had drawn up a timetable for further meetings of the policy-making organs that should enable the required changes to be finalized by the beginning of the next biennium.

18. He wished to assure the Board that all the views expressed by delegations on the matter of UNIDO's reprioritization and restructuring had been carefully noted by the Secretariat and would be taken into consideration during the forthcoming stage of programme and budget preparation. He also wished to assure the Board that he was fully committed to the implementation of Article 11, paragraph 5, of the Constitution and would bear fully in mind the concerns expressed on the subject by Member States.

19. The Secretariat had alrady resumed the work of preparing a revised budget proposal. That document would conform to the financial rules and regulations and would set out the main changes to document GC.5/14 on the programme and budgets for 1994-1995, by major programme, programme and subprogramme. In particular, it would reallocate budgetary resources resulting from the elimination of the five departments and the offices of the Deputy Directors-General, and from other potential sources of savings, to high-priority objectives such as field representation.

20. He would like to pay tribute to the dedication of the staff, who had worked unflaggingly through the summer so that the crucial documents for the present resumed session would be ready, and he trusted that such dedication would continue in order that the remaining preparatory work could be done for the fifth session of the General Conference to be held at Yaoundé in December 1993. He also wished to express his thanks to the interpreters, translators and support staff whose services were relied on for meetings of the policy-making organs.

21. The outcome of the present resumed session was the culmination of months of work by all concerned. A significant milestone in the history of UNIDO had been passed, and one could look forward to a UNIDO with a much brighter future than its immediate past, an organization that would be recognized for its capacity for self-renewal and, soon, for its importance and effectiveness in the task of supporting the developing countries.

22. He would like to begin consultations in the coming weeks for a possible Yaoundé Declaration, which should be a straightforward one but should become as well-known in the world of industrial development as the Lima Declaration. The General Conference session would provide an opportunity to draw world attention to the far-reaching changes that were taking place as a result of the globalization of industry and to the major policy changes that were occurring in most developing countries and having an impact on their industrial development. It would also be an occasion to register the international community's concern that the industrialization of the developing countries had fallen short of earlier expectations and that certain gaps, for example in the application of new technologies, were to the detriment not only of developing countries but also of the global economy. The Yaoundé Declaration could be a call for action in those areas that were the focus of the development objectives agreed on at the current resumed session. Furthermore, since the General Conference session would be the first UNIDO General Conference session in Africa, it would be an opportunity to highlight the special needs of the least developed countries, particularly those of Africa, and the importance of mobilizing financial resources for that region.

23. The implementation of the proposed reforms and their full impact on UNIDO must be properly positioned in the longer-term context. All manner of hurdles were still to be overcome. Nevertheless, all change involved risk, and paralysis was the most risky of all strategies. The ice had now been broken, thanks to the political will of Member States.

SUSPENSION OF THE SESSION

24. The PRESIDENT said that, in accordance with the decision just adopted as contained in document IDB.11/L.34/Rev.1, the Board would again resume its eleventh session immediately after the conclusion of the additional session of the Programme and Budget Committee to take place on 22 November 1993 for the purpose of considering the Director-General's revised proposals for the programme of work and related estimates for the biennium 1994-1995.

25. After the customary exchange of courtesies, she declared the session suspended.

The meeting rose at 3.50 p.m.

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United Nations Industrial Development Organization

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Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 12th MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 22 November 1993, at 3 p.m.

President: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
-	Opening of the resumed session	1
6	Report of the Programme and Budget Committee (continued)	
	(c) Programme and budgets, 1994-1995 (continued)	2 - 28
19	Adoption of the report of the eleventh session (continued)	29 - 30
20	Closure of the eleventh session	31 - 35

The meeting was called to order at 3.20 p.m.

OPENING OF THE RESUMED SESSION

1. The PRESIDENT declared the resumed eleventh session of the Industrial Development Board open.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (continued)

(c) PROGRAMME AND BUDGETS, 1994-1995 (continued) (IDB.11/32 and Corr.1; PBC/AS.1/3)

2. The PRESIDENT recalled the Board's decision IDB.11/Dec.24, adopted in July 1993, on the programme and budgets for 1994-1995 (see document GC.5/4, annex I) and its decision IDB.11/Dec.40, adopted in October 1993 (see document GC.5/4/Add.1, annex I), in which it had decided, inter alia, to again resume its eleventh session immediately following an additional session of the Programme and Budget Committee (which had taken place earlier that day) in order to consider adjustments to the Director-General's proposals for the programme of work and related estimates for the 1994-1995 biennium. The Board now had before it the adjusted proposals for the 1994-1995 programme and budgets submitted by the Director-General (IDB.11/32 and Corr.1) and the recommendations of the Programme and Budget Committee contained in the conclusion it had just adopted (PBC/AS.1/3).

3. She invited the Director-General to introduce his adjusted proposals.

4. Mr. DE MARIA Y CAMPOS (Director-General) said that the revised budget proposals had been prepared in full accordance with decision IDB.11/Dec.40. Every attempt had been made to reflect the proposals put forward on the future policy and organizational restructuring of UNIDO and full account had been taken of UNIDO's new priorities and programmes and its development objectives. That had been achieved at no extra cost.

5. A major constraint in the preparation of the adjusted proposals had been the lack of time and it might transpire that some fine tuning would still be needed when the budget was put into operation.

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6. As he had mentioned at a briefing held during the previous week and to the Programme and Budget Committee earlier in the day, the Secretariat would not let up in its efforts to reduce costs including official travel and, as requested by one delegate, staff travel on home leave would continue to receive careful consideration.

7. In the light of the morning's discussion and to give a clearer understanding of the changes, the Secretariat would prepare an explanatory note with a summary comparison of the old and new budgets, showing the programmes that had been maintained and those that had been merged.

8. The adjusted proposals reflected a new spirit and a reduction of administrative layers, with a concentration on substance, efficiency and effectiveness. During the next biennium, Member States would see for themselves how successful the endeavours had been. He hoped that the reform process would bear fruit and that, as a result of the establishment of a clear link between UNIDO's comparative strengths and its country clients' needs, the services provided would be of the quality and kind expected of a new and vibrant development organization.

9. Vicomte Georges VILAIN XIIII (Belgium), speaking on behalf of the European Union and its member States, supported the Director-General's proposals for adjustments to the programme and budgets.

10. He drew the Board's attention to the statement made by his delegation, on behalf of the European Union and its member States, to the Programme and Budget Committee earlier in the day and asked that it be regarded as part of the record of the Board's meeting.*

11. Mr. ARIZAGA (Ecuador), speaking on behalf of the Latin American and Caribbean Group, congratulated the Director-General and his team for the timely presentation of their proposals for adjustments to the programme and budgets pursuant to decision IDB.11/Dec.40.

12. The Group was satisfied with the new budget proposals and praised the Director-General's efforts to ensure that savings made were utilized in substantive activities. It supported the proposals for allocation of resources under the regular budget and the estimates for operational budget income. The programme and budget document should be subject to the changes required by the reform of the organizational staff structure, without prejudice to the financial regulations. The Group hoped that the Board would recommend the revised proposals to the General Conference for approval.

13. Ms. OK (Turkey) expressed her delegation's appreciation of the efforts made by the Director-General and his staff in preparing the adjusted programme and budget proposals for 1994-1995, taking account of the agreed reorientation of the functions and priorities of UNIDO. Turkey welcomed the emphasis on cost-effectiveness and maximum savings in administration and travel costs, and looked forward to seeing a further rationalization of expenditures as a result of the work of the task force that had been set up.

14. With regard to the substantive programmes, her delegation welcomed the reorientation of resources to field representation and quality assurance. However, Turkey hoped that projects would be improved in quality overall by the efforts of every staff member thanks to the new dynamic spirit being created by the Director-General, with the Board's full support.

15. Her delegation welcomed the expansion of major programmes 600, 700 and 800 and the inclusion of programme 840 in major programme 800 and of subprogramme 313 in major programme 300.

16. She reiterated her Government's full support for the Director-General and his staff in their efforts to create a dynamic organization responding to the growing and diverse needs of a new international economic environment.

17. Mr. ZAITSEV (Russian Federation) said that the examination of what was in effect a completely new UNIDO budget document had highlighted the dynamism acquired by UNIDO in recent months, owing in large measure to the person now heading the Organization. Important factors were also the radical transformations which had taken place in the world and the desire of nations to base their relations on general human values as they worked to strengthen democracy.

18. The document under consideration was of fundamental significance for the Organization not only because it set the stage for UNIDO's activities during the next two years, but also because it constituted a conceptual model of the revitalized UNIDO which took into account the new elements characterizing the present world situation.

19. With the changes which had recently taken place in the world, the task of organizing international efforts in support of economic cooperation with countries requiring it for the solution of their problems had assumed a new form. The effectiveness of the revitalized UNIDO would, in his delegation's view, depend primarily on success in making the Organization universal and accessible to all its Members. In that context, it was necessary to pursue more actively the objective laid down in the Constitution of promoting industrial development and cooperation on the global, regional and national levels. Only with that approach could one count on effective interaction between industrially developed countries and countries endeavouring to develop industrially, which should complement one another in the industrial development process.

20. The United Nations General Assembly had recognized the need to assist countries with economies in transition and he hoped that that aspect would be appropriately reflected in UNIDO's day-to-day operations and in financial and staffing arrangements.

21. His delegation was ready to work constructively with all other delegations in the new industrial development tasks facing the Organization. To that end, however, additional information would have to be provided by the Secretariat, and his delegation hoped that an explanatory note with comparative data on the financing of individual sections under the present and previous budget proposals could be distributed before the forthcoming General Conference session. Delegations would then be able to see broadly how the Secretariat proposed to redistribute the allocated resources. He realized that that would not be an easy task.

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* See the report of the Programme and Budget Committee on the work of its first additional session (IDB.11/33), annex I.

22. His delegation would not oppose a recommendation to the General Conference that it consider and approve the budget proposals for 1994-1995. However, it reserved the right to revert to the matter if necessary after receipt of the relevant additional explanations from the Secretariat.

23. Mr. HODEL (Switzerland) said that his delegation wished to thank the Director-General for his prompt submission of a new budget document and endorsed the revised programme and budgets, which it saw as a first step in the restructuring process. In the Programme and Budget Committee and the Board, Switzerland would follow the implementation of the proposals closely.

24. Mr. DE MARIA Y CAMPOS (Director-General) thanked members for their support for the proposed programme and adjusted budgets and paid tribute to the Secretariat staff, who had made it possible to advance rapidly in the direction of a restructured UNIDO. There was still a long way to go, but the foundations had been laid for building a stronger Organization, with the help of Member States. The Secretariat would do its best to give delegations all the additional information requested.

25. The PRESIDENT said she wished now to submit to the Board for consideration the draft decision recommended by the Programme and Budget Committee, as set out in paragraph (e) of the conclusion contained in document PBC/AS.1/3.

26. The Secretariat informed her that the report of the additional session of the Programme and Budget Committee, reflecting in an annex the statements by some delegations, would be distributed before the end of the month.

27. If she heard no objection, she would take it that the Board wished to adopt the draft decision.

28. The draft decision recommended by the Programme and Budget Committee was adopted.

ADOPTION OF THE REPORT OF THE ELEVENTH SESSION (continued)

29. The PRESIDENT said that, since for obvious reasons it had been impossible to prepare a draft report on the work of the current resumed session for adoption in the plenary, she wished to propose that the Board should request the Rapporteur, with the assistance of the Friends of the Rapporteur, to prepare and finalize the report, which would be submitted to the Conference as a second addendum to the Board's report on the work of its eleventh session (GC.5/4).

30. It was so decided.

CLOSURE OF THE ELEVENTH SESSION

31. The PRESIDENT, thanking the Board members for their cooperation, said that the consensus decision just reached reflected a new spirit prevailing among Member States. She hoped that, at the forthcoming General Conference session, a Yaoundé Declaration would be adopted in the same spirit.

32. The consensus decision was also due in part to the hard work done in recent months by UNIDO's five Deputy Directors-General, who had helped the Director-General to submit extremely well-prepared documentation. The Deputy Directors-General had displayed the very highest standards of professionalism, and she was sure that the Board would want her, in expressing its thanks, to wish them all happiness and success for the future.

33. Mr. DE MARIA Y CAMPOS (Director-General) thanked the members of the Board for the way in which they had reacted to the proposed programme restructuring; it augured well for the discussions at the forthcoming General Conference session.

34. He also expressed his gratitude to the Deputy Directors-General, who had served UNIDO well, especially during recent months. The restructuring process in which UNIDO was engaged called for solidarity at the highest levels of management. The Deputy Directors-General deserved the gratitude of the Organization, with which they would, he was sure, continue to be associated for a long time.

35. Lastly, paying tribute to the President, he said that the consensus decision just reached would not have been possible without her skilful guidance.

The meeting rose at 4.05 p.m.